

SUSTAINABILITY@AXIS

Sustainability continues to be the bedrock of our core philosophy of creating enduring value for all stakeholders and contributing to economic, environmental and societal prosperity.

AXIS LEADER SPEAK

“This is our third Sustainability Report covering the reporting period 2016-17. Like last year, this report is prepared using GRI G4 Reporting Guidelines, and is externally assured by KPMG.

Sustainability is an integral component of our value system. Our holistic approach to sustainability is based on creating enduring value for all our stakeholders and hence, we have adopted a stakeholder-centric sustainability framework. We are making steady progress on the objectives set under the framework, and the performance update for the reporting period is presented in this report.

We remain strongly committed to the underlying principles of sustainable development – contribute to economic prosperity, promote environmental sustainability, and propagate equitable and inclusive societal development. We will continue to pursue these principles as central tenets of our growth, and that of our stakeholders.”



V Srinivasan
Deputy Managing Director



Rajiv Anand
Executive Director (Retail Banking)

“Customer-centricity is embedded in our organisational DNA and is at the core of our business. We strive to address varied needs of diverse customer groups through innovative products and services backed by world-class technology and service delivery platforms. Our customer service model is deep-rooted in highest ethical standards to ensure that we serve our customers with integrity.”

“Meritocracy, fairness and ethics are the central tenets of our people strategy for building and sustaining organisational capabilities. We invest in the holistic development of our people by providing rewarding careers with opportunities to learn and grow in a challenging environment, which helps them achieve their true potential. We are proud of the unwavering commitment of our people to deliver beyond expectations, especially during challenging times.

We are inching closer towards fulfilling our commitment of creating 1 million sustainable livelihoods through our Community Development Programmes. The journey towards this milestone has been extremely satisfying, but we realise that there is lot more to do. Our next phase of creating sustainable livelihoods will continue to build on the good work done so far, with an even more focused approach.”



Rajesh Dahiya
Executive Director (Corporate Centre)

“We are committed to enhancing long term shareholder value by creating a sustainable enterprise that delivers consistent performance. We pursue prudent strategies for efficient capital allocation and management. Our robust governance and risk management frameworks guide us in doing so in an ethical manner.”



Jairam Sridharan
Group Executive & Chief Financial Officer



Sidharth Rath
Group Executive - Corporate
Relationship Group & Transaction Banking

“We have taken incremental strides in furthering our environmental sustainability agenda by rolling out Sustainable Lending Policy & Procedures towards environmental and social risk management in our lending decisions. Through the Green Bonds issued by the Bank, we aim to provide access to capital for environmentally sustainable projects which contribute to climate change mitigation. On our operations front, we continue to invest in renewable energy and energy efficiency projects to lower our carbon footprint intensity.”



Axis House, Mumbai – the Corporate Headquarters of Axis Bank

G4-2

SUSTAINABILITY TRENDS AND OUTLOOK

Last year, we presented a commentary on the sustainability trends and outlook for topics that we believe are vital in shaping the future business sustainability landscape. Almost all topics continue to remain relevant.



Economic Growth

The global growth prospects have improved despite the political uncertainty surrounding unexpected outcomes in the US and UK. The fears of deflation have receded with rising commodity prices and with fresh hopes of fiscal stimulus in the US.

- India's macroeconomic-fundamentals have remained stable, reinforced by concerted policy efforts of the Government.
- Measures to control food prices and judicious use of monetary policy levers by the Reserve Bank of India (RBI) have kept inflation low throughout the FY 17.
- Further the shift in RBI's liquidity stance from deficit to neutral in FY 17, and then the massive infusion of deposits into banks post extraction of high denomination currency notes, have sharply reduced the money market interest rates and facilitated deep cuts in banks' Marginal Cost of Fund Based Lending Rate (MCLR).
- After two years of drought, the monsoon was good in 2017, significantly improving agricultural prospects.
- The primary concern is the slowdown in capex activity, which has caused corporate credit demand to remain subdued and post-demonetisation, non-food YOY credit growth dropped further to sub-5% levels.

Global growth prospects are expected to improve further in FY18, with improved demand resulting in commodity prices remaining at currently high levels, reinforced by capacity closures, especially in China. As per our base projections, India's growth is expected to improve to 7.5% in FY18, with much of the increase likely from



higher consumption. Investment is poised to remain modest, particularly in H1, but capex spend might gradually revive with spends on affordable housing, renewable energy, urban infrastructure and road and rail projects. Bank credit growth, however, will revive only gradually, since most of the initial capex will be driven by the public sector.

To know more about our economic performance, refer to 'Economic Contribution' and 'Shareholders and Providers of Capital' sections of this report.

Digital future

Digitisation continues to change the paradigm of conventional business models, especially in the Banking and Financial Services sector. Technology and digital adoption by consumers is happening at a rapid pace and businesses need to have a continuous innovation roadmap to stay ahead of the digital innovation curve.



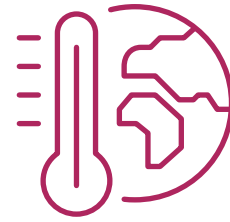
The Government of India's significant reforms during the year towards creating a 'less-cash' economy has given an enormous impetus to digital adoption in money transactions, thus opening up new growth opportunities for Banking and Financial sector in specific.

To know more about how we are adopting technology and digital future, refer to the 'Customers' section of this report.

Climate Change

- The Paris Agreement came into force on 4 November, 2016, with 149 countries ratifying the Convention.
- Countries have submitted their Nationally Determined Contributions (NDCs) towards the goal of limiting the temperature rise within 2°C by this century, compared to pre-industrial levels.
- The agreement also requires countries to regularly report on their emissions and implementation efforts.
- India ratified the agreement on 2 October, 2016, with the following NDC targets:
 - Lower the emissions intensity of GDP by 33%–35% by 2030, below 2005 levels
 - Increase the share of non-fossil based power generation capacity to 40% of installed electric power capacity by 2030
 - Create an additional (cumulative) carbon sink of 2.5–3 GtCO₂e through additional forest and tree cover

This will result in bolstering the domestic policy action on energy reforms, especially in the renewable energy sector.

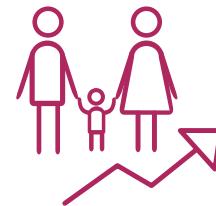


To know more about how we are contributing to environmental sustainability, please refer to 'Environment' section of this report.

Population Growth and Urbanisation

The urbanisation of Indian cities is happening rapidly, with continued rural-to-urban migration. While this creates an opportunity for increased economic activity in urban centres which currently contribute more than 62% to the national GDP, the lack of appropriate planning for urbanisation results in additional stress being placed on available infrastructure and resources.

Affordable housing is one of the core issues of promoting sustainable urbanisation and the Government of India's ambitious 'Housing for All' project aims at providing a home to every poor urban household by 2022.

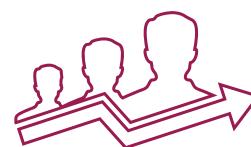


The 'Smart Cities' initiative of the Government also aims to develop 100 smart cities with a core focus on infrastructure elements. Continued efforts and investments will be required to develop smart sustainable cities of future.

To know more about our direct and indirect economic contribution, please refer to 'Economic Contribution' section of this report.

Inclusive Growth

An equitable and fair distribution of wealth among various sections of society is as important as overall economic growth.



- The unexpected political outcomes in the US and the UK, amongst others, points to an increasing concern in the society about rising inequity and loss of economic opportunities, especially for middle income groups.
- Technological adoption, digital innovations and artificial intelligence may further put stress on the labour markets of future.
- It is imperative that growth models of the future integrate comprehensive growth as a central theme to redistribute the benefits of economic growth in an equitable and fair manner.
- Access to economic opportunities for middle and low income groups will play an important role towards inclusive growth.
- Financial inclusion of all is the basic requirement to ensure an enhanced access to these economic opportunities.

To know more about our financial inclusion and community development agenda, please refer to 'Customers' and 'Communities' sections of this report.

Corporate Responsibility

Stakeholders and civil society in general expect

corporates to assume greater responsibility for their direct and indirect impacts and not be blinded by only profit motives.

- Corporate responsibility initiatives not only help in building trust with various stakeholders but also constitute a viable business case for long term sustainability, with different regulatory agencies and market forces pushing for greater transparency in corporate disclosures.
- Securities Exchanges Board of India (SEBI) has issued a circular on voluntary adoption of Integrated Reporting (IR) by listed entities in India.
- Indian Banks' Association (IBA) is engaging with Indian financial institutions on the topic of Responsible Finance. The spending on Corporate Social Responsibility (CSR) activities by Indian companies continues to increase, signaling that corporates are making progress in scaling their CSR initiatives.

To know more about our community development agenda, please refer to 'Communities' section of this report.

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STAKEHOLDER ENGAGEMENT

We leverage multiple formal and informal channels of engagement to have an active dialogue with our varied set of stakeholders. These channels of engagement help our stakeholders reach us in an easy and convenient manner. The feedback received through multiple channels help us devise appropriate strategies and plans to address the stakeholder needs.

Stakeholder Group

Performance Figures 2016-17



Customers

- 366 million page views for www.axisbank.com with 50 million unique visitors
- 3.4 million Facebook fans, 0.2 million followers on Twitter and 0.27 million followers on LinkedIn
- 34% of customer query resolution within 24 hours



Employees

- 45 Axis Champions felicitated at Annual Axis Champions Awards Nite
- 26 Axis Blitz sessions conducted across the Bank to felicitate more than 5400 Blitz champions

Stakeholder Group

Performance Figures 2016-17



Regulators

- Regular coordination with Reserve Bank of India (RBI) and participation in RBI constituted committees



Shareholders and Investors

- 768 shareholder queries received and resolved
- 119 shareholder attendees at 22nd Annual General Meeting
- 929 investors/analysts meetings/conference calls held



Communities

- 1.08 million beneficiaries of ABF programmes since 2006 (inception)
- 15,240 financial literacy camps conducted in rural areas reaching out to nearly 2,18,041 people



Suppliers and Vendors

- Launched new Vendor Management Framework



Scan the QR code to access our Stakeholder Engagement Map

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MATERIALITY

Our approach to sustainability is based on materiality principles of understanding what is important to our stakeholders and to achieve our long term business strategies. The Materiality Matrix is an outcome of an engagement with our senior management to assess sustainability topics both from the business and stakeholders' perspective. Insights gathered from existing stakeholder engagement models will continue to shape our sustainability agenda. Our stakeholder-centric sustainability framework is closely aligned to the material sustainability topics to help us perform the way our stakeholders expect us to.




Scan the QR code to know more about our Materiality Assessment and Materiality Matrix

G4-2

SUSTAINABILITY FRAMEWORK AND PERFORMANCE




Our stakeholder-centric sustainability framework is aligned to material sustainability topics and is driven by our long-term vision and strategy.

	Sustainability Framework	Material Topics
 <p>Customers</p>	<p>Consistently enhance customer service by focusing on customer experience, innovation, and quality assurance to deliver superior Axis Banking experience</p>	<ul style="list-style-type: none"> • Risk control measures for fraud and money laundering • Transparent information and fair advice to customers • Customer privacy and data security • Create innovative products to improve financial access for marginalised sections
 <p>Shareholders & Providers of Capital</p>	<p>Actively engage with Shareholders and Providers of Capital to create enduring value</p>	<ul style="list-style-type: none"> • Compliance with applicable regulations and standards
 <p>People</p>	<p>Create and sustain diverse work culture through improving organisational effectiveness, providing safe and ethical work environment, maintaining stability and sustainability amidst ever-changing business environment and growth</p>	<ul style="list-style-type: none"> • Employee safety and security • Creating right competencies across levels • Healthy and non-discriminatory workplace • Committing to Human Rights principles • Leadership development and succession planning • Enhancing employee diversity • Extending Environmental, Social and Corporate Governance (ESG) policies to the supply chain
 <p>Environment</p>	<p>Promote environmental sustainability and equitable growth through sustainable lending practices</p> <p>Reduce impact on environment on account of own operations by actively managing our environmental footprint and supporting customers to make 'green banking' choices</p>	<ul style="list-style-type: none"> • Integrating environmental and social risk factors in our investment and lending decisions • Optimising resource efficiency • Waste management • Managing our carbon footprint
 <p>Communities</p>	<p>Create and sustain a mechanism that will propagate sustainable livelihoods and contribute back to society across various segments</p>	<ul style="list-style-type: none"> • Financial literacy • Community development

G4-2

Performance update of our Sustainability Framework



Strategic Priority	Objective	Performance 2016-17
 <p>Multi-channel delivery</p>	<p>Increase the reach and usage of digital channels for enabling superior customer experience and simplified banking</p>	<ul style="list-style-type: none"> • 4.2 million users registered for Axis Mobile Banking App • 4.9 million users registered for Internet Banking • 57.50% of total customer spends are from digital channels
 <p>Customised Solutions</p>	<p>To develop a deeper, holistic understanding of the customer's banking needs and bring customised, innovative products and programmes that delight and engage them strongly with the Bank</p>	<ul style="list-style-type: none"> • New processes – Lime Wallet integrated into Axis Mobile; co-origination of Retail Term Deposit and Public Provident Fund accounts with Saving Account opening; introduction of Central Know Your Customer (CKYC) for single KYC across financial institutions; e-interest certificates via Internet Banking, email and branch channels; auto-allocation of lockers to waitlisted customers • New products – Happy Holidays Pack (suite of benefits for international travellers available on Axis Mobile); Axis Active (fitness solution in partnership with GOQii integrated with NFC enabled contactless payments) • Revitalised product with new propositions – New and revised Safe Deposit Custody product; new and improved Retail Trust Solution; improved Recurring Deposit product; wellness proposition for Savings Bank Accounts through discounted health services; cashback on online purchases for priority customers • Stronger analytical models to build richer customer profiles through income estimation models
 <p>Dependable Technology</p>	<p>Ensure secure and streamlined processes, making banking simple and safe for customers with new technologies for superior customer experience</p>	<ul style="list-style-type: none"> • 1,373 Wi-fi enabled branches, 57% growth over previous year • 8,816 Business Development Executives (BDEs) and all Priority Banking Relationship Managers (PBRM) and NRI Relationship Managers (NRI RM) equipped with tablets for tab-based banking



To make Banking and Money Management easy across all behaviours and touch points

- Standalone Credit Card only/ Loan only login through internet banking and the Axis Mobile platform
- Pre-login page on internet banking with Bill Pay options
- Tweet/email feedback or call Axis Bank right from the Axis Mobile application
- Calendar sync for payment schedules
- Reduction in turnaround time (TAT) for adding beneficiary for money transfers
- New revamped website axisbank.com launched with browser notifications








Shareholders & Providers of Capital

Strategic Priority	Objective	Performance 2016-17
<p>Economic value creation and contribution to the Society</p>	To assess the economic value created and contributed by the Bank to various stakeholders and society at large	<ul style="list-style-type: none"> • 3.93% reduction in total economic value generated compared to previous year
<p>Engagement Programs</p>	To provide regular information, disclosures and timely update, address concerns and create a platform for discussions with shareholders	<ul style="list-style-type: none"> • 100% resolution of shareholder grievances received • 119 shareholders attended the 22nd Annual General Meeting • 929 investors/analysts meetings/conference calls held
<p>Strategic Vision on Capital Allocation</p>	Ensure optimal utilisation of capital through capital allocation driven by Vision 2020, Risk-Adjusted Return on Capital (RAROC)	<ul style="list-style-type: none"> • Capital Adequacy Ratio (CAR) under Basel III was 14.95% against the minimum regulatory requirement of 9.625%
<p>Governance and Risk Management</p>	Ensure robust governance and risk management through policies and practices on transparency, accountability, ethics and risk control	<ul style="list-style-type: none"> • Pursuant to review of the risk profile of the Bank, the Board has not come across any element of risk which would threaten the existence of the Bank



People

Strategic Priority	Objective	Performance 2016-17
 <p>Committing to Human Rights principles</p>	<p>Integrate Human Rights principles into the workplace environment</p>	<ul style="list-style-type: none"> • 2,574 person-hours of training imparted on Code of Conduct and Ethics
 <p>Ensuring a healthy, safe and non-discriminatory workplace</p>	<p>Facilitate a workplace environment that espouses principles of fairness, meritocracy and non-discrimination</p>	<ul style="list-style-type: none"> • Regular health checkups & screening camps for employees
 <p>Building leadership development and succession planning</p>	<p>Train and develop knowledge, skillsets and leadership behaviour of internal talents with a view to advance them into higher responsibilities or more challenging roles. De-risk the organisation from unplanned attrition at key roles</p>	<ul style="list-style-type: none"> • 28,000 employees underwent 2 day behavioural training program customised to their grade and role challenges • Tie-up with 'Coursera', world's largest online education company, in a first of its kind initiative to enable self-managed learning • 44,872 employees certified through 'Banking on Compliance' program
 <p>Creating right competencies across levels</p>	<p>Identify and define functional, behavioural and leadership competencies for major roles in key business and support functions</p>	<ul style="list-style-type: none"> • 'Axis Competency Profiler' learning platform introduced
 <p>Enhancing employee diversity</p>	<p>Enhancing employee diversity (particularly gender based), in terms of ensuring a balanced representation of women at all levels. This includes tapping alternate talent pools and plugging leakages in the pipeline through retention interventions, and working towards building a culture of inclusivity – one that is based on fairness and meritocracy</p>	<ul style="list-style-type: none"> • 21% of women in workforce • female candidates hired through the 'We Lead' programme • 37 differently abled people as an integral part of a diversified workforce





Environment

Strategic Priority	Objective	Performance 2016-17
<p>Integrating environment and social factors into lending and investment decisions</p>	<p>Integrate environmental and social issues into risk analysis and decision making processes for corporate lending operations</p>	<ul style="list-style-type: none"> 16 proposals with total transaction value of more than ₹ 100 billion assessed for environmental and social parameters under the Bank's 'Sustainable Lending Policy & Procedures'
<p>Support transition to low carbon economy by increasing 'environmental /sustainable financing'</p>	<p>Explore opportunities to increase financing in key sectors that promote a low carbon economy</p>	<ul style="list-style-type: none"> Credit outstanding of ₹ 37.63 billion for 'sustainable sectors' Launched India's first certified 'Green Bonds' of US\$ 500 million in international market to finance and/or refinance environment-friendly projects as described in the Bank's 'Green Bond Framework'
<p>Managing our carbon footprint</p>	<p>Measure and manage the carbon footprint intensity [per full-time employee]</p>	<ul style="list-style-type: none"> 10.45 % reduction in carbon footprint intensity [per full-time employee], compared to the previous year 2 MW installed solar energy capacity for own operations during the year 9,542 Mwh energy savings realized through efficiency and retrofit measures
<p>Optimising resource efficiency</p>	<p>Promote resource optimisation through internal operational efficiency and employee engagement / awareness</p>	<ul style="list-style-type: none"> 4.38 % reduction in overall office-paper usage Installed water saving faucet aerators at Axis House and NPC I
<p>Waste Management</p>	<p>Actively pursue waste management towards 'zero-waste' philosophy by adopting 3R (Reduce, Reuse and Recycle) principles</p>	<ul style="list-style-type: none"> 25 tonnes of dry waste recycled Organic waste composter at Axis House



Communities

Strategic Priority	Objective	Performance 2016-17
 <p>Sustainable Livelihoods</p>	<p>To create one million livelihoods</p>	<ul style="list-style-type: none"> • 0.9 million livelihoods created cumulatively through Axis Bank Foundation • 1.08 million overall beneficiaries of Axis Bank Foundation initiatives
 <p>Financial Literacy</p>	<p>Support progress of individuals and communities through financial awareness and literacy</p>	<ul style="list-style-type: none"> • 15,240 financial literacy camps conducted, touching nearly 2,18,041 people • Engaged with 14 B-School students to conduct financial literacy and digital awareness camps in rural areas under the Bank's 'Pragatishala initiative'.

G4-16

POLICY ADVOCACY

We believe in collective efforts for creating an efficient financial system for the country.

We participate in various industry and trade associations to promote policies and initiatives that contribute to the growth of industry, drive technology innovation and adoption in banking, enhance financial literacy and expand financial inclusion and expedite the role of banks as a catalyst for larger societal change.

We actively engage with various relevant stakeholders by sharing and adopting best practices.

We are represented in various industry association committees which work on defined topics to dwell on emerging trends and promoting growth.

Some of the committees that we are represented through our senior management include:

- CII National Committee on Banking,
- CII National Council on Financial Sector Development,
- CII Economic Growth and Investments Council,
- CII Sub-Committee on Cloud Computing,
- CII National Committee on Financial Inclusion
- CII National Committee on Capital Markets

Confederation of Indian Industry (CII), has an active 'CII National Committee on Banking'. Ms. Shikha Sharma, has been chairing this committee since 2015. Under the aegis of the Committee, the members have been working actively in the area of policy and regulatory

issues concerning the Indian banking sector with the focus to promote sustainable growth and development of the sector. Under this committee during FY 2016-17, working groups were formed based on the key themes that the committee took up this financial year to work upon. The outcome that came out of the deliberations of these working group discussions, in form of recommendations were submitted to various stakeholders & dignitaries. There were focused meetings held with the Government to further discuss on the

- 1) CII Recommendations on GST submitted to senior officials in Department of Revenue, Central Board of Excise and Customs (CBEC) and Tax Research Unit (TRU)
- 2) CII Recommendations on Managing NPAs and Maintaining Asset Quality, submitted to senior officials in Department of Financial Services

Climate finance is another topic that we engage on with relevant stakeholders. We are represented in the India Green Bonds Council forum coordinated by Climate Bonds Initiative, London.

The Axis Bank Foundation continues to be represented in the Executive Committee of the Bharat Rural Livelihood Foundation (BRLF). BRLF is an autonomous society set up by the Government of India to foster and facilitate civil society action in partnership with the Government to transform the livelihoods of people in such remote areas including the Central Indian Advasi belt.